

# MEMO

**DATE:** June 1, 2006

**TO:** Transportation and Communications Committee

**FROM:** Don Rhodes, Manager, Government & Public Affairs (ext. 840)

**SUBJECT:** SB 1266 - Transportation & Air Quality Bond; SCA 7 – Prop. 42 Protection

## SUMMARY:

On May 5, 2006, the legislature passed four infrastructure bond bills to the Governor which, upon his signature, will go before the voters on the November ballot. None of the ballot measures are cross-joined with one another, meaning that any one can pass individually, together, or not at all. Once on the ballot, these bond measures require a simple majority of the voters to pass.

The bond measures provide in total **\$37.3285** billion dollars for infrastructure development, which is broken down into four separate bonds in the following amounts:

- Transportation – \$19.925 billion (SB 1266)
- Housing - \$2.85 billion (SB 1689)
- Education - \$10.416 billion (AB 127)
- Flood Protection - \$4.09 billion (AB 140)

Provisions of the transportation bond measure, SB 1266, that are most relevant to this Committee are as follows:

**SB 1266 – Transportation & Air Quality Bond** **\$19.925 Billion**

**Mobility, Transit & Congestion Relief** **\$ 17.25 Billion**

- Provides \$4.5 billion high congestion travel corridor improvements – selected by the CTC from projects submitted by the DOT, regional planning agencies & county transportation commissions. All such projects must be part of a regional transportation plan. **Estimated SCAG regional allocation is \$2.2 billion;**
- Provides \$4 billion for rail, bus, & transit improvements – under existing methods of allocation. (Based upon population & fare recovery). **Estimated share to SCAG region is approximately \$1.6 billion;**
- Provides \$1 billion for State Highway 99 Enhancement in the Central Valley, the only project with funds specifically earmarked;
- Provides \$2 billion STIP augmentation – with same N/S distribution as under existing law – according to the CTC annual report, approximately \$3.3 billion of monies diverted from the STIP are Prop 42 funds. **Estimated share to SCAG region is approximately \$650 million;**

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## SB 1266 – Transportation & Air Quality Bond (Cont.)

- Provides \$2 billion for Port & Trade Infrastructure, allocated by the CTC after the Secretary of BT&H and Secretary of Environmental Protection develop a trade infrastructure & goods movement plan;
- Provides \$2 billion for local roads and streets. **Estimated share to SCAG region cities and counties is approximately \$870 million;**
- \$1 billion for State-Local Partnership Program;
- \$750 million for SHOPP and ITS.

### Safety, Security & Disaster Preparedness

**\$1.525 Billion**

- Provides \$1 billion for a new program for transit safety & disaster preparedness & other monies in the following areas:
  1. \$100 million for port security,
  2. \$250 million for grade separations,
  3. \$125 million for bridge seismic retrofit.

### Air Quality:

**\$1.2 Billion**

Provides \$1 billion for port air quality, and \$200 million for school bus retrofit.

The estimates of the SCAG regional share of funding from the transportation bond are predicated upon the assumption that existing formulas and allocations will remain substantially unchanged. The total estimated amount of these funds is approximately \$5.3 billion. In addition, there are large amounts of money that are either entirely discretionary by the appropriating authority (such as the CTC), or are to be appropriated by future (trailer) legislation, or for a number of other reasons cannot be reliably estimated at this time. For those funds related to port and trade infrastructure and air quality, given the volume of goods movement in the region, a large share of funding for these areas is anticipated for the region.

## SCA 7 – Proposition 42 Funds Protection

The legislature also passed SCA 7, a proposed constitutional amendment which, if passed, will provide limited protection of Prop. 42 funds. SCA 7 requires a simple majority of the vote to pass. It authorizes a suspension of the transfer of the sales tax on motor fuel to the TIF for a fiscal year if all of the following occur:

1. the Governor issues a proclamation that the suspension is necessary due to a severe state fiscal hardship;
2. a statute containing no other unrelated provision is enacted by a 2/3 vote of each house of the Legislature suspending the transfer, and

## SCA 7 – Proposition 42 Funds Protection (Cont.)

3. a statute is enacted to repay, with interest, the TIF within 3 years for the amount of any revenues that were not transferred as a result of the suspension.

SCA 7 would also prohibit the suspension of transfer of these revenues from occurring more than twice during any 10 consecutive fiscal years, and would prohibit a suspension in any fiscal year in which a required repayment from a prior suspension has not been fully completed.

It also provides for repayment of all previously borrowed funds by 2016.

### BACKGROUND:

Infrastructure development has been a stated priority of the Governor's administration, as outlined in its Strategic Growth Plan released at the beginning of this year. Likewise, Senator Perata has spearheaded the legislative effort to invest in California's infrastructure since last year. Negotiations to put a more ambitious \$68 billion bond package (with leveraged funds in excess of \$220 billion) on the June ballot broke down in March, with negotiations quietly resuming in late April. Passage from the legislature of this infrastructure bond package is the result of a lengthy negotiation process between the Governor and both parties in both chambers of the legislature.

DOC#122162